

# FINANCIAL ANALYSIS

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# What's In It For You?

- Demonstrate a '**business approach**'
- **Minimize risk and costs** through informed, higher quality decisions
- **Increased credibility** with management
- Build stronger **Business Cases** for proposals
- A more **strategic** approach, aligning with business goals
- Help **ensure successful business outcomes** for customers, through improved service provisioning
- Be a **good steward** of investments in IT services

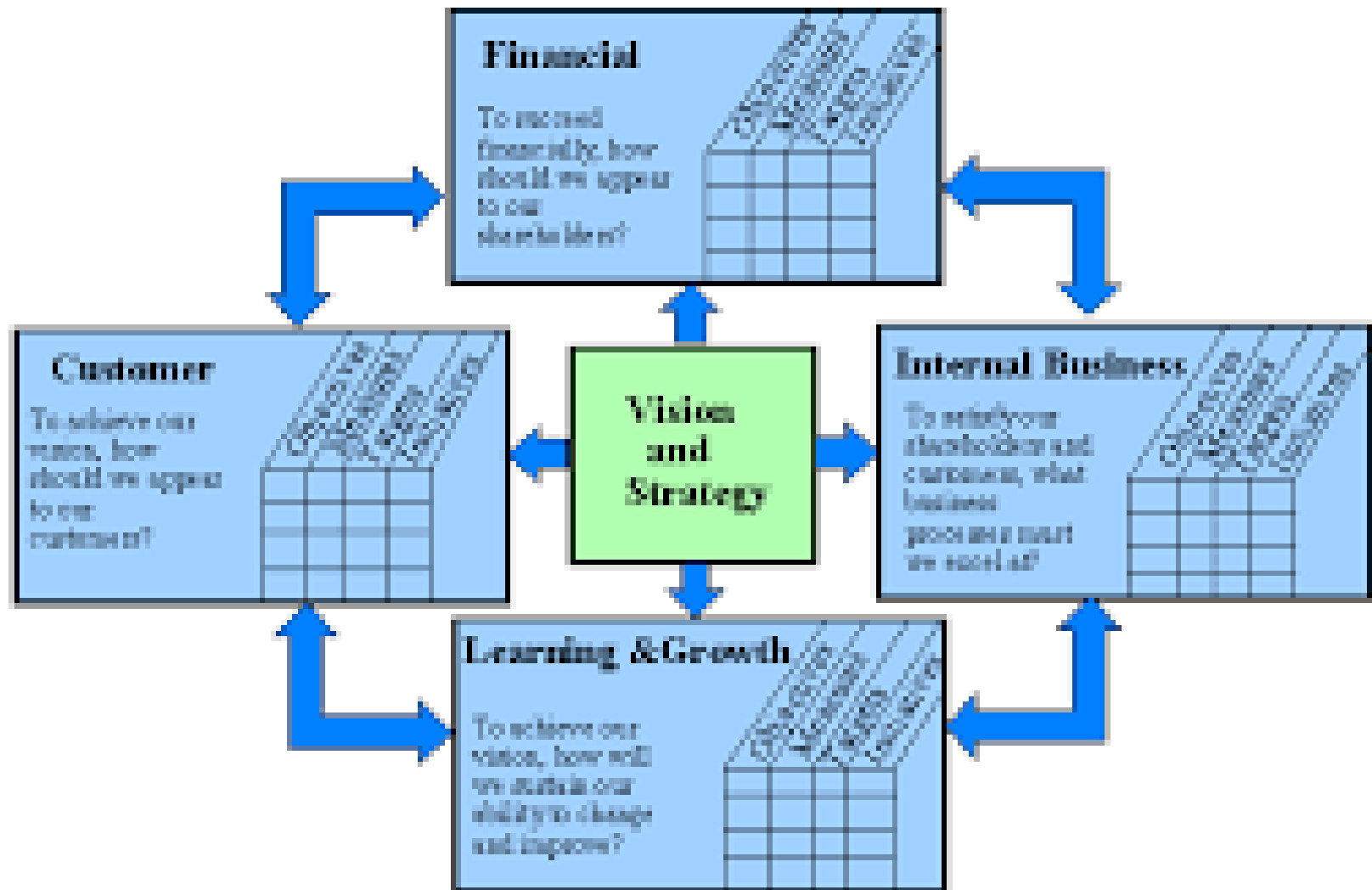
# FINANCIAL ANALYSIS TOOLS TO IMPROVE YOUR DECISION MAKING

- BALANCE SCORE CARD
- RATIO ANALYSIS
- MARGINAL COST ANALYSIS
- RETURN ON INVESTMENTS
- COST BENEFITS ANALYSIS.

-Wise choices = faster, less cost, greater benefits, success

-Poor choices = slower, higher costs, few if any benefits, little success or failure

# Balanced Scorecard Framework\*



\* Adapted from Kaplan & Norton, 1996. *The Balanced Scorecard*. Harvard Business School Press, 9. Original from MIT, JanFeb 1996, p. 76.

## What is Balanced Scorecard

Balanced Scorecard is a unique management tool which outperforms the traditional methods of performance evaluation owing to its ability to give an integrated view of the organization, by incorporating both the financial and non-financial parameters. It can be used to significantly improve implementation of objectives and strategies. It provides a mechanism for controlling and monitoring the organizational progress. A balanced scorecard is a way of communication to keep the team members up-to-date, help in translating strategy into operational and measurable terms and achieve strategic implementation.

It improves financial performance by making better resource allocation, investment trade-offs and gives feedback on past performance which serves as direction for future course of action. It directs the Physical, Human and Financial resources to plans and policies which would give the maximum output.

# Financial perspective

- Objective: to succeed financially
- As measured by
  - Operating income
  - ROI
  - EVA
  - Sales growth
  - Cost reductions

# Customer perspective

- Objective : how to achieve the vision of how it should appear to their customers .
- No: of new customers
- Retention
- Market share
- Order time
- Customer satisfaction

# internal

- Objective: to excel at having superior business processes to satisfy their shareholders and customers.
- Process quality measures
- Lead time
- Defect rate
- Scrap measures



# Learning and Innovation

- Objective:to sustain the ability to change and move.
- Employee retention
- Employee productivity
- Training
- Reskilling
- Suggestion system

